

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON COUNTY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION FOR	)	CASE NO. 93-088
ADJUSTMENT OF RATES	)	

O R D E R

On April 28, 1993, Jackson County Rural Electric Cooperative Corporation ("Jackson County RECC") applied to the Commission for authority to adjust its rates to produce additional annual revenue in the amount of \$2,410,493.

Jackson County RECC is a consumer-owned rural electric cooperative organized pursuant to KRS Chapter 279 and engaged in the distribution and sale of electric energy to approximately 38,800 customers in Breathitt, Clay, Estill, Garrard, Jackson, Laurel, Lee, Leslie, Lincoln, Madison, Owsley, Powell, Pulaski, Rockcastle, and Wolfe counties in southeastern Kentucky.

No requests for formal intervention in this matter were received. A hearing was scheduled for September 22, 1993. Negotiations between Commission Staff and Jackson County RECC were conducted prior to the scheduled hearing.

As a result of these negotiations, a Settlement Agreement and a Supplement Settlement Agreement were executed and submitted to the Commission for its approval. Under the terms of these agreements, Jackson County RECC will be granted a revenue increase of \$2,201,920 or 6.2 percent over normalized total operating

revenue. Revenue requirements will be based on a 2.30 Times Interest Earned Ratio ("TIER") with all total margins in excess of a 2.0 TIER used by Jackson County RECC to rotate capital credits to its members.

After careful review of the Settlement Agreement, the Commission finds that the Settlement Agreement's terms are reasonable and that its rate design and terms of service provisions are in conformity with generally accepted rate-making standards. The Commission further finds that the Settlement Agreement is in the public interest and should be accepted.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, appended hereto as Appendix A, and the Supplement Settlement Agreement, appended hereto as Appendix B, are incorporated into this Order as if fully set forth herein.

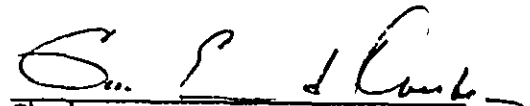
2. The terms and conditions set forth in the Settlement Agreements are adopted and approved.

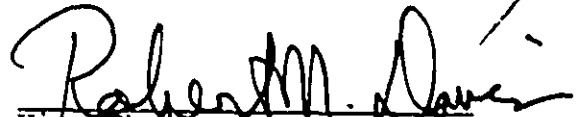
3. The rates set forth in Appendix C to this Order are approved for service rendered on and after the date of this Order.

4. Jackson County RECC shall, within 30 days of the date of this Order, file new tariffs reflecting the provisions of this Order.

Done at Frankfort, Kentucky, this 7th day of October, 1993.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 93-088 DATED October 7, 1993

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON COUNTY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION FOR	)	CASE NO. 93-088
ADJUSTMENT OF RATES	)	

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered this 17<sup>th</sup> day of September, 1993, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and JACKSON COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION, INC. ("Jackson County RECC").

W I T N E S S E T H :

THAT, WHEREAS, on April 28, 1993, Jackson County RECC applied to the Public Service Commission for authority to adjust its basic rates to produce additional annual revenue in the amount of \$2,410,493; and

WHEREAS, no persons have sought or been granted intervention in this proceeding; and

WHEREAS, Jackson County RECC and Commission Staff have discussed Jackson County RECC's application and reached agreement on all outstanding issues raised by it.

NOW, THEREFORE, be it resolved that:

1. Jackson County RECC and Commission Staff mutually agree that all outstanding issues raised in this proceeding shall be resolved by this Settlement Agreement.

2. Jackson County RECC shall be authorized to adjust its rates to produce additional operating revenues of \$2,201,920 annually, or total operating revenues of \$37,725,421 upon written acceptance of this Settlement Agreement by the Public Service Commission. The rates set forth in Appendix A to this Settlement Agreement will produce this level of revenue.

3. Jackson County RECC's revenue requirements as determined in this Settlement Agreement are based on a 2.30 TIER with all total margins in excess of a 2.0 TIER being used by Jackson County RECC to rotate capital credits to its patrons.

4. (a) For as long as this Settlement Agreement is in effect and Jackson County RECC's revenue requirements are determined hereunder, Jackson County RECC agrees to use all margins in excess of a 2.0 TIER to rotate capital credits to its patrons within the following 12 months.

(b) For purposes of determining Jackson County RECC's earnings and margins, reference will be made to Jackson County RECC's Annual Reports on file with the Public Service Commission with adjustments to eliminate any cost that is not normally allowed by the Commission for rate-making purposes. An illustrative list of such costs is set forth in Appendix B. The holdings of Commission decisions after the date of this Settlement Agreement shall also be considered in determining whether the Commission normally allows a cost for rate-making purposes.

(c) TIER shall be calculated by excluding Generating and Transmission Capital Credits.

5. In addition to any other reports required by this Settlement Agreement, Jackson County RECC shall no later than March 31 of each year submit a written report to the Public Service Commission on the status of its patronage capital credit rotation for prior calendar year.

6. Jackson County RECC will modify its currently effective Equity Management Plan to reflect any modifications or amendments necessary to implement the provisions of this Agreement.

7. No later than ninety (90) days after the date of this Agreement, Jackson County RECC will file with the Public Service Commission a copy of its Equity Management Plan as revised to comply with the provisions of Paragraph 6.

8. Jackson County may petition the Commission for a different time period and method for returning all margins in excess of a 2.0 TIER. Such petition shall not be submitted earlier than 15 months after the date of this Settlement Agreement.

9. For as long as this Settlement Agreement is in effect and Jackson County RECC's revenue requirements are determined hereunder, Jackson County RECC acknowledges that it will be subject to financial monitoring by Commission Staff. To facilitate that monitoring, Jackson County RECC agrees to provide, upon reasonable notice, any financial statements necessary to assure Commission Staff that refunds of Capital Credits are being administered in good faith in accordance with this Settlement Agreement.

10. Jackson County RECC recognizes and acknowledges its obligation to operate its system at the lowest possible cost

consistent with the furnishing of adequate, efficient, and reasonable electric service. Jackson County RECC agrees to take all reasonable steps necessary to comply with this obligation.

11. Jackson County RECC may apply to the Public Service Commission for relief from its aforementioned obligations to retire capital credits when, due to circumstances beyond Jackson County RECC's control, the Rural Electrification Administration or the National Rural Utilities Cooperative Finance Corporation has suspended or discontinued advancing loan funds to Jackson County RECC.

12. Jackson County RECC certifies that it has obtained all requisite approvals from its creditors and other persons necessary to implement the provisions of this Agreement.

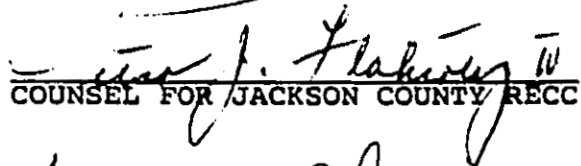
13. This Agreement is subject to the acceptance of and approval by the Public Service Commission. Commission Staff will exercise its best efforts to obtain prompt Commission review of this Settlement Agreement and will recommend to the Commission that this Settlement Agreement be approved.

14. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on either signatory.

15. If the Public Service Commission accepts and adopts this Settlement Agreement in its entirety and enters an order in this proceeding to that effect, Jackson County RECC shall not apply for

rehearing in this proceeding nor bring an action for review of that order.

AGREED TO BY:

  
COUNSEL FOR JACKSON COUNTY RECC

  
COUNSEL FOR COMMISSION STAFF



APPENDIX A

AGREED RATE SCHEDULE FOR  
JACKSON COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

SCHEDULE 10  
RESIDENTIAL, FARM AND NON-FARM SERVICE

Rate:

Customer Charge	\$ 6.64	Per Month
All KWH	.06166	Per KWH

SCHEDULE 11  
OFF-PEAK MARKETING RATE

Rate:

All KWH	\$ .03699	Per KWH
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SCHEDULE 20  
COMMERCIAL, SMALL POWER, AND  
THREE PHASE FARM SERVICE

Rate:

Customer Charge	\$ 7.78	Per Month
All KWH	.06271	Per KWH

SCHEDULE 30  
LARGE POWER SERVICE LESS THAN 50 KW

Rate:

Customer Charge	\$15.46	Per Month
Demand Charge	4.84	Per KW
All KWH	.05494	Per KWH

SCHEDULE 33  
WATER PUMPING SERVICE

Rate:

Customer Charge	\$15.17	Per Month
All KWH	.05480	Per KWH

SCHEDULE 40  
LARGE POWER MORE THAN 50 KW  
BUT LESS THAN 275 KW

Rate:

Customer Charge	\$17.90	Per Month
Demand Charge	4.84	Per KW
All KWH	.05135	Per KWH

SCHEDULE 43  
LARGE POWER RATE - OVER 275 KW

Rate:

Customer Charge	\$31.82	Per Month
Demand Charge	4.84	Per KW
All KWH	.04787	Per KWH

SCHEDULE 46  
LARGE POWER RATE - 1,000 KW AND OVER

Rate:

Customer Charge	\$532.00	Per Month
Demand Charge	5.36	Per KW
All KWH	.03283	Per KWH

SCHEDULE 50  
SCHOOLS, CHURCHES, AND COMMUNITY HALLS

Rate:

Customer Charge	\$ 6.89	Per Month
All KWH	.05841	Per KWH

SCHEDULE 52  
ALL ELECTRIC SCHOOLS

Rate:

Customer Charge	\$ 15.95	Per Month
All KWH	.05425	Per KWH

SCHEDULE 56  
SCHOOLS, CHURCHES AND COMMUNITY HALLS

Rate:

Customer Charge	\$ 6.89	Per Month
All KWH	.05841	Per KWH

SCHEDULE 65  
STREET LIGHTING

Rate:

22,000 Lumens	\$ 11.88	Per Month
5,800 Lumens	8.05	Per Month
175 Watt	6.47	Per Month

SCHEDULE SL  
OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS

Mercury Vapor Lamp 7,000 - 9,500 Lumens	\$ 6.47	Per Month
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## APPENDIX B

Listed below are examples of expenses which the Public Service Commission has historically disallowed for rate-making purposes. This list is illustrative, not exhaustive. Future Commission decisions may affect this list.

Charitable, Civic, or Political Contributions

Premiums for Employee Life Insurance Policies where coverage exceeds \$50,000 per employee

Cooperative sponsored General Educational Programs

Cost of Promotional Items

Cost of Gifts for employees, directors, retirees, and attorneys

Cost of Staff Dinners, Employee Picnics, and Employee Christmas Parties

Expenses for Frankfort and Washington Youth Tours

Expenses for Flowers sent to funerals or ill employees, directors, members, and/or their families

Cost of Training Seminars for cooperative attorney

Cost of Advertising related to Political, Promotional, and Institutional advertising, as well as advertising which does not produce a material benefit (807 KAR 5:016, Sections 3 and 4)

Per Diem Fees and Expenses paid to Directors Emeritus

Additional Per Diem Fees paid to Directors for check signing or for serving as an official of Board of Directors (e.g. Chairman, President)

Per Diem Fees paid to Directors when attending meetings other than cooperative board meetings (e.g. NRECA, KAEC, East Kentucky Power)

Per Diem Fees and Expenses paid to Directors  
for attendance at the Congressional Breakfast

Expenses for Directors' spouses

RECEIVED

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

OCT 04 1993

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF JACKSON COUNTY RURAL )  
ELECTRIC COOPERATIVE CORPORATION FOR ) CASE NO. 93-088  
ADJUSTMENT OF RATES )

SUPPLEMENTAL SETTLEMENT AGREEMENT

This Supplemental Settlement Agreement ("Agreement") is entered into this 4<sup>th</sup> day of October, 1993, by and between the STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") and JACKSON COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION, INC. ("Jackson County RECC").

WHEREAS, on April 28, 1993, Jackson County RECC applied to the Public Service Commission for authority to adjust its basic rates to produce additional annual revenue in the amount of \$2,410,493; and

WHEREAS, Commission Staff and Jackson County RECC have previously entered into a Settlement Agreement dated September 17, 1993 ("Settlement Agreement") which resolves all outstanding issues set forth in Jackson County RECC's Application; and

WHEREAS, Jackson County RECC and Commission Staff have discovered certain errors in that Settlement Agreement as to calculation of total revenue level and the rates necessary to produce that level.

NOW, THEREFORE, be it resolved that:

1. Jackson County RECC and Commission Staff mutually agree that certain amendments to the Settlement Agreement are required.

2. Paragraph 2 of the Settlement Agreement is amended as follows:

2. Jackson County RECC shall be authorized to adjust its rates to produce additional operating revenues of \$2,201,920 annually, or total operating revenues of \$37,536,314 upon written acceptance of this Settlement Agreement by the Public Service Commission. The rates set forth in Appendix A to this Settlement Agreement will produce this level of revenue.

3. Appendix A to this Agreement is substituted for Appendix A to the Settlement Agreement dated September 17, 1993.

4. All terms and conditions of the Settlement Agreement which are not affected by this Agreement shall remain in full force and effect.

5. This Agreement is subject to the acceptance of and approval by the Public Service Commission.

6. If the Public Service Commission fails to accept and approve this Agreement in its entirety, this proceeding shall go forward and neither the terms of this Agreement nor any matters raised during settlement negotiations shall be binding on either signatory.

7. If the Public Service Commission accepts and adopts this Agreement in its entirety and enters an order in this proceeding to that effect, Jackson County RECC shall not apply for rehearing in this proceeding nor bring an action for review of that order.

AGREED TO BY:

Peter J. Flaherty III / Gow  
COUNSEL FOR JACKSON COUNTY RECC

David B. Winkler  
COUNSEL FOR COMMISSION STAFF



APPENDIX A

AGREED RATE SCHEDULE FOR  
JACKSON COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

SCHEDULE 10  
RESIDENTIAL, FARM AND NON-FARM SERVICE

Rate:

Customer Charge	\$ 6.64	Per Month
All KWH	.06132	Per KWH

SCHEDULE 11  
OFF-PEAK MARKETING RATE

Rate:

All KWH	\$ .03679	Per KWH
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SCHEDULE 20  
COMMERCIAL, SMALL POWER, AND  
THREE PHASE FARM SERVICE

Rate:

Customer Charge	\$ 7.78	Per Month
All KWH	.06237	Per KWH

SCHEDULE 30  
LARGE POWER SERVICE LESS THAN 50 KW

Rate:

Customer Charge	\$15.46	Per Month
Demand Charge	4.84	Per KW
All KWH	.05460	Per KWH

SCHEDULE 33  
WATER PUMPING SERVICE

Rate:

Customer Charge	\$15.17	Per Month
All KWH	.05446	Per KWH

SCHEDULE 40  
LARGE POWER MORE THAN 50 KW  
BUT LESS THAN 275 KW

Rate:

Customer Charge	\$17.90	Per Month
Demand Charge	4.84	Per KW
All KWH	.05101	Per KWH

SCHEDULE 43  
LARGE POWER RATE - OVER 275 KW

Rate:

Customer Charge	\$31.82	Per Month
Demand Charge	4.84	Per KW
All KWH	.04753	Per KWH

SCHEDULE 46  
LARGE POWER RATE - 1,000 KW AND OVER

Rate:

Customer Charge	\$532.00	Per Month
Demand Charge	5.36	Per KW
All KWH	.03249	Per KWH

SCHEDULE 50  
SCHOOLS, CHURCHES, AND COMMUNITY HALLS

Rate:

Customer Charge	\$ 6.89	Per Month
All KWH	.05807	Per KWH

SCHEDULE 52  
ALL ELECTRIC SCHOOLS

Rate:

Customer Charge	\$ 15.95	Per Month
All KWH	.05391	Per KWH

SCHEDULE 56  
SCHOOLS, CHURCHES AND COMMUNITY HALLS

Rate:

Customer Charge	\$ 6.89	Per Month
All KWH	.05807	Per KWH

SCHEDULE 65  
STREET LIGHTING

Rate:

22,000 Lumens	\$ 11.88	Per Month
5,800 Lumens	8.05	Per Month
175 Watt	6.45	Per Month

SCHEDULE SL  
OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS

Mercury Vapor Lamp 7,000 - 9,500 Lumens	\$ 6.45	Per Month
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## APPENDIX C

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 93-088 DATED October 7, 1993

The following rates and charges are prescribed for the customers in the area served by Jackson County Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

#### SCHEDULE 10 RESIDENTIAL, FARM AND NON-FARM SERVICE

Rate:

Customer Charge	\$ 6.64	Per Month
All KWH	.06132	Per KWH

#### SCHEDULE 11 OFF-PEAK MARKETING RATE

Rate:

All KWH	\$ .03679	Per KWH
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#### SCHEDULE 20 COMMERCIAL, SMALL POWER, AND THREE PHASE FARM SERVICE

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Customer Charge	\$ 7.78	Per Month
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SCHEDULE 52  
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Rate:

Customer Charge	\$ 15.95	Per Month
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SCHEDULE 56  
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SCHEDULE SL  
OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS

Mercury Vapor Lamp 7,000 - 9,500 Lumens	\$ 6.45	Per Month
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